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19 March 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

DIA and DOS review(s) completed.

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GENERAL

1. Berlin Element, HICOG, analyzes Soviet proposal for German treaty: Analyzing Soviet objectives in proposing a German peace treaty, HICOG Berlin begins with the assumption that the USSR is strongly opposed to seeing West Germany allied to the West and even more so to seeing a united Germany in this position. On the contrary, the Soviet Union wants a united Germany only if the terms for achieving it are good enough to compensate for loosening control in the Soviet zone.

Therefore, HICOG states, the USSR will retire from East Germany only (1) if it feels that West Germany's integration with Western Europe is such a threat to Soviet security that it must be stopped even at the cost of an agreement providing for neutralization of a united Germany, and (2) if it had a guarantee that withdrawal of troops from a unified Germany would be followed by a gradual integration of all Germany in the Soviet Orbit, presumably through techniques of Communist penetration.

While recent events have strengthened the first consideration, the second cannot be judged accurately; but the intensity of the peace treaty campaign suggests a possibility that the Russians might desire a united Germany on any terms where they would consider chances better than 50-50 of eventual absorption of all Germany.

It was also pointed out that while the short-term effects of Soviet withdrawal from East Germany would have undesirable repercussions in the Satellites, the Kremlin's record shows considerable predilection for long-range planning.

Nevertheless, there is no convincing evidence to date that maximum Soviet concessions will in fact reach a point where the West could accept.

25X1

SECRET

19 Mar 52

SECRET

25X1
Comment: Soviet concessions are particularly improbable in face of the preponderance of evidence suggesting further Soviet entrenchment in East Germany, rather than a willingness to withdraw.

SOVIET UNION

3. Embassy Moscow comments on Soviet proposal for German treaty: The US Embassy in Moscow believes that the Soviet proposal for a German peace treaty is designed simply to delay West German rearmament and integration with the West. Seeing Soviet control over East Germany as essential to Russian objectives in Europe, the Embassy does not concur with the line of reasoning that the Soviet proposal might mean a willingness to relinquish this control. [REDACTED]

25X1

SECRET

19 Mar 52

SECRET

EASTERN EUROPE

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4. Bulgaria protests against Greek border provocations: On 13 March the Bulgarian Minister of Foreign Affairs presented a note to Greece, via the United Nations Secretariat, protesting provocations and frontier violations recently committed by Greek authorities along the Bulgarian-Greek frontier. The incidents, including three alleged violations of Bulgarian airspace, were cited as evidence of "the intention of the Greek Government to sustain a constant tension along the Bulgarian-Greek frontier, in harmony with the openly hostile policy followed by the Greek Government toward Bulgaria."
- [REDACTED]

Comment: Bulgarian notes of protest regarding Greek border violations are dispatched from Sofia on almost a routine basis, the last having been issued on 26 January. On 19 February a note of protest against "subversive activities directed by American and Greek authorities against Bulgaria and against peace in the Balkans" was addressed jointly to the Greek and United States Governments.

5. New economic decision accompanies shake-up in Rumanian Finance Ministry: Simultaneously with the dismissal of Vasile Luca as Minister of Finance, and his three deputies, the Rumanian Government issued a lengthy decision on means of carrying out the January currency reform. As part of the measure, the Ministry of Finance was ordered to submit by 25 March a plan to reorganize and strengthen the work of the State Bank.

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In commenting on the new decision, the official Rumanian Workers' Party newspaper, Scanteia, quoted Party Secretary-General and Vice Premier Gheorghiu-Dej who, in a January report to the Council of Ministers concerning the approaching currency reform, said that Rumania should be able to insure stability of the currency and to realize the objectives of the reform.

[REDACTED]

Comment: One of the dismissed deputy ministers, Aurel Vijoliu, was also President of the State Bank. Since he and the other deputies were primarily technicians rather than party functionaries, it appears that the shake-up in the Finance Ministry was occasioned by unsatisfactory handling of the currency reform and financial matters thereafter.

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Scanteia's reference to Gheorghiu-Dej at this time lends some support to speculation by American officials that Luca's dismissal may be connected with an intra-party struggle between Gheorghiu-Dej of the "Rumanian wing" and the "Moscow wing" composed of Vice Premiers Ana Pauker, Luca, and Iosif Chisinevski. With the failure of the currency reform to improve Rumania's economic plight, Gheorghiu-Dej may have scored a point and secured the dismissal of Luca, at least as Minister of Finance.

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9. Karen-Communist conflict flares up again in Burma: The American Embassy in Rangoon reports that, concurrent with press reports of Karen collaboration with the Chinese Nationalists, there have been indications of a definite "split" between the Communists and the Karens. The Embassy mentions fighting between the two groups in the Delta, and a call by the leader of the pro-Communist Burma Workers and Peasants Party for a government offensive against the Karens. [REDACTED]

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10. Military activities in northern Burma intensified: The American Embassy in Rangoon reports that repeated sabotage of the Mandalay-Myitkyina rail line during the past three months has been so costly that service may be suspended unless the army promises greater protection. At the same time, it is said that the government forces have pushed the insurgents northwest into Shwebo and Katha Districts, through which the rail line runs. [REDACTED]

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Comment: These insurgents are chiefly Communists, and it is not clear whether they have been "driven" north or have been moving in that direction in accordance with their own plans to gain control of territory contiguous to China.

11. Britain asks American support in forthcoming Singapore rice talks: The British Government rice consultant who will be chairman of the rice consultative meeting at Singapore on 25 and 26 March has asked the American Consul General there to support the British delegation in its effort to persuade Burma and Thailand to release as much rice as possible to their customers in Southeast Asia at a "fair" price. The British want especially to get sufficient supplies to meet the requirements of Malaya and Ceylon; they fear that the 300,000-ton "buffer" stock which Thailand plans to withhold from export this year is "likely to disappear into private hands and be sold in dribblets wherever highest prices can be obtained."

The Consul General recommends that American observers give informal support outside the meetings. [REDACTED]

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Comment: The Foreign Office regards British sponsorship of the periodic rice allocation conferences as one means of building goodwill for the West in Southeast Asia. However, at the forthcoming conference Britain will be more concerned to obtain favorable import terms for the British Commonwealth territories throughout the area. Preliminary negotiations have shown that the exporting countries intend to exploit fully the present seller's market.

NEAR EAST - AFRICA

12. Greek Supreme War Council announces appointment of new Inspector General: The Greek Supreme War Council meeting on 17 March appointed Lt. Gen. Petzopoulos to succeed Lt. Gen. as Inspector General of the Greek Army.

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SECRET

19 Mar 52

SECRET

WESTERN EUROPE

13. UN Commission on all-German elections announces plans to return to Geneva: The Netherlands delegate to the United Nations Commission on all-German elections has emphasized to American officials that the Commission does not intend to investigate electoral conditions in Germany unless it is given free and equal access to both East and West Germany. He does not now expect a reply from East Germany or the USSR on the Commission's invitation to preliminary talks on the task of the UN body. If no reply is received, the Commission will return to Geneva on 22 March and, after a reasonable delay, report to the UN Secretary General that it cannot accomplish its mission.

The Dutch delegate agreed with American officials that the Commission's action would be useful, since it would show the insincerity of the recent Soviet note. He said that the Commission would not allow itself to be embroiled by the Russians in any discussion of peace treaty negotiations or in any UN promotion of all-German talks.

25X1

25X1

SECRET

19 Mar 52

SECRET

25X1

16. Western proposal on Austria held an effective political move: The American Embassy in Vienna believes that, from an Austrian point of view, the presentation in Moscow of the abbreviated treaty has been an "effective political move" which is proving very difficult to answer. The former Austrian Ambassador in Washington has reportedly observed that the "only worry among the senior officers at the Austrian Foreign Office is that the Russians might now accept the old treaty." The Communist press has continued to emphasize the theme that the Western proposal is a move toward the partition of Austria, but the Soviet-sponsored newspaper has not commented on the issue for two days.

Comment: There has never been any question but that Austria would prefer a settlement on the basis of the new draft. It is not clear, however, that the Austrian Government is amending its estimate of Soviet intentions; most evidence suggests that no treaty will be signed soon. The widespread belief, however, that the test of Soviet sincerity in submitting its new proposal for a German settlement will be found in Soviet reaction to the Western proposal on Austria appears to have caused some embarrassment at the local Communist level, and the possibility remains that the Russians may find it expedient not to reject new Austrian negotiations outright.

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SECRET

17. Belgium disappointed with West's retaliation against Soviet travel restrictions: According to a Belgian Foreign Office official, the Foreign Office was "very disappointed" because no other NATO nation supported its position that Soviet and certain Satellite diplomats should be required to ask permission to travel beyond specified areas rather than merely to give notification of their intentions to do so. The Foreign Office, which had been considering travel restrictions against the Russians long before the NATO Lisbon meeting, only reluctantly agreed to the notification procedure rather than the more rigorous type of restriction. [REDACTED]

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18. Belgian Socialist Party may vote for Schuman Plan: Some friction has developed between the Socialist Party, which is opposing the Schuman Plan in the Belgian Parliament, and the Socialist trade union federation (FGTB), which is sponsoring a joint labor secretariat of mine and metal unions of the six Schuman Plan countries. Belgian metal and mine union leaders are especially displeased that certain trade unionists who are members of Parliament should be placed in the position of not voting for a project "warmly supported by the unions." Representations have been made to Socialist Party leaders, and some FGTB leaders believe that the party will support the Plan when the Chamber of Deputies votes on it.

The FGTB miners delegates will call for support of the joint secretariat proposal at the International Mine Workers Federation congress in early April, and FGTB leaders plan visits to the unions concerned in other Schuman Plan countries to obtain unanimous support. [REDACTED]

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Comment: The Socialist Party's opposition to the Schuman Plan in the Senate stems from domestic political considerations. Unofficially, however, the Socialists favor the Plan, and some modification in their stand is anticipated when the Chamber votes.

The FGTB proposal for a joint labor secretariat of the Schuman Plan countries, made in early February, initially has been well received [REDACTED]

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19. Italian Communist Party reportedly augmenting its militant "hard core": Reporting on the annual membership drive, the Central Committee of the Italian Communist Party has stated that as of 28 February the party had 2,051,099 members, or 97 percent of the 1951 figure. Membership in the Communist Youth Federation is 392,376, or 90 percent of 1951. The American Embassy

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in Rome declares that the party is trying especially to increase its "hard core" group leaders -- leaders of ten members -- and has increased their number from 106,000 to about 130,000. [redacted]

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Comment: The emphasis on increasing the number of "hard-core" militants is consistent with the party's desire to be prepared for any eventuality. It does not mean that the party is lessening its efforts, which since the war have been very successful, to win electoral support from people who are not members of the Communist Party.

In view of membership thus far obtained, last year's figure will probably be equalled before the current annual drive ends on 1 October.

20. British Government indicates shift in approach to European unity plans: The Parliamentary Undersecretary in charge of Council of Europe affairs states that, although the British delegation will be forced to vote against most of the articles in the draft constitution at the Council of Europe Ministers' meeting on 19 March, Britain will try to offset its negative approach by proposing that the Schuman Plan and the European Defense Community be brought under the Council's aegis. The Foreign Office is not optimistic that these proposals for giving the Council of Europe actual functions will be accepted.

The government spokesman also indicated tentative willingness to consider a French-supported Dutch proposal that Britain guarantee the integrity of the EDC by entering into a formal contractual arrangement with it. The US Embassy in London notes that the Foreign Office has rejected such an idea several times.

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Comment: The French and Dutch proposal is aimed at bringing Britain into closer association with the EDC by invoking certain provisions in the Brussels Pact [redacted]

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The British Government is evidently anxious to correct the impression that its refusal to join unification schemes implies a lack of sympathy for these plans, but there is no indication as yet that it is actually considering closer political ties with the Continent.

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SECRET

21. Sweden reduces strategic exports to Czechoslovakia: The new Swedish-Czech trade agreement, providing for an exchange of goods valued at approximately 25 million dollars each way for the 12-month period beginning 1 March, sharply reduces the volume of iron ore and ball bearings exported to Czechoslovakia. The total iron ore quota has been cut from 750,000 to 500,000 tons, with the quantity of iron ore low in phosphorous content reduced even more sharply. A reduction in the ball bearing quota, coupled with a 33-percent price increase, cuts the contemplated bearing shipment approximately 65 percent.

The Swedish Foreign Office has assured the US Embassy that no items included on the April 1951 embargo list will be exported, and that there will be no increases in List II items. The Swedes will ship one item -- molybdenum wire -- which has been added to List I since April 1951; but they maintain that this wire is suitable only for electric light bulbs and insist that some exports are necessary to maintain their own production.

Sweden will obtain from Czechoslovakia chemicals, machinery, and 50,000 tons of coke. [REDACTED]

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Comment: Sweden was able to drive a hard bargain because Czechoslovakia needs iron ore and ball bearings more than Sweden needs Czechoslovak fuel and other commodities.

LATIN AMERICA

22. Uneasiness growing in Guatemala: Although conditions in Guatemala appear normal, there is a strong undercurrent of apprehension intensified by recurrent rumors of plots against the government, by the approaching mass anti-Communist demonstrations scheduled for 23 March, and by the probability that pro-government forces will organize counterdemonstrations.

The powerful labor organizations, which maintain that the anti-Communist movement is linked to reactionary efforts to overthrow the government, are reportedly accumulating significant quantities of arms. They have recently reiterated their standing pledge to "fight to the very end" against any threat to the government. [REDACTED]

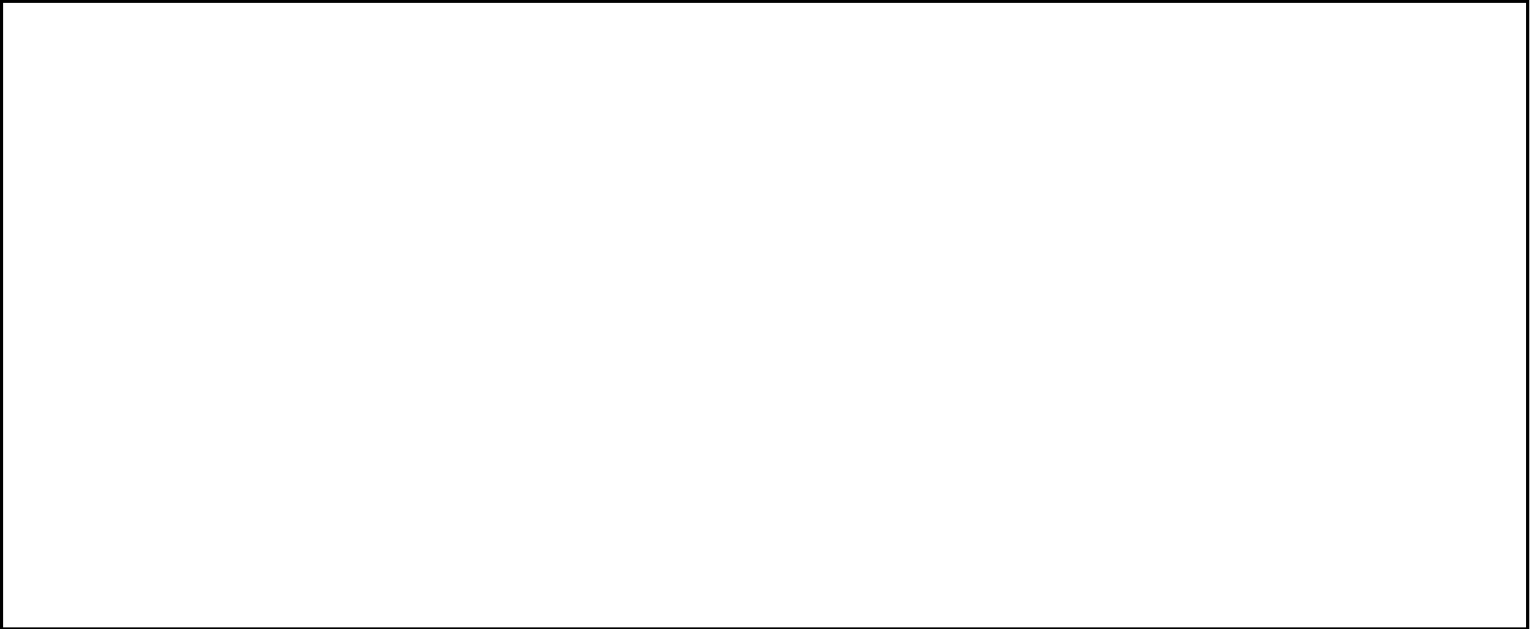
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Comment: Not since the spontaneous anti-Communist demonstrations and the resulting riots of last July have the anti-Communist groups in Guatemala shown such activity as in the [REDACTED]

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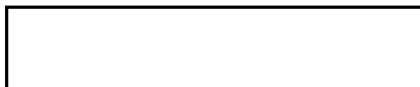
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TOP SECRET

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19 March 1952

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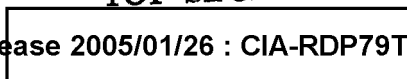
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NEAR EAST-AFRICA

1. British Foreign Office studying plans for Middle East Command: The British Foreign Office is deliberating as to whether an informal preliminary meeting should be held soon to discuss the future development of the Middle East Command, or whether it would be preferable to wait for possible Egyptian participation.

Also under study is the manner of associating the Arab states with the Command. There is a growing feeling in the Foreign Office that the original provision for a liaison office between the Arabs and the Command would not be acceptable to the Arabs, who would resent the implications of second-class membership. [REDACTED]

Comment: A discussion of plans for the Middle East Command, in the light of Egypt's rejection of membership, was scheduled for late February but was postponed when the Anglo-Egyptian situation appeared to be taking a favorable turn.

The Iraqi Prime Minister's suggestion that the Arab League Security Pact be used as a basis for the defense of the Middle East does not meet British requirements for only a loose association of the Arab states with the Middle East Command.

2. British military mission to Israel planned: The Foreign Ministers of Great Britain and Israel, during a conference on 11 March, agreed to initiate diplomatic discussions on a proposed British military mission to Israel.

Israeli Foreign Minister Sharrett asked Foreign Secretary Eden for obsolete military equipment, specifically light artillery and trainer aircraft, either as a gift or on a long-term loan basis. Sharrett also proposed closer economic relations. [REDACTED]

TOP SECRET

TOP SECRET

Comment: Israel has been fearful lest possible Arab participation in the proposed Middle East Command might act to its disadvantage. It has, therefore, been showing increased interest in effecting closer ties with the West. Any British mission to Israel will, on the other hand, arouse Arab suspicions of Western motives.

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3. Lebanon vacillates in combating Communism: The Lebanese Prime Minister asserted to the American Minister that he is determined to combat Communism, although he is disinclined to arrest large numbers of people or to take repressive measures against the press. He urged the "swift application of Point Four" as the most effective means of bringing hope to his country. In the opinion of the Prime Minister, the Lebanese people do not particularly want Communism, but many believe that they would have "something to gain and nothing to lose" by becoming Communists.
- [REDACTED]
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Comment: Prospects for eliminating Communism in Lebanon are poor. Beirut is a Communist center in the Arab world, as well as a transshipment port for goods destined for the Orbit. Until Lebanon is willing to take strong measures against Communism, there is little prospect that the activities of the well-organized Communists in Lebanon will be appreciably lessened.

4. Greek Government's attempt to restore proportional electoral system blocked: Acting Prime Minister Venizelos' recent attempt to force a bill through Parliament which would restore the proportional electoral system has been temporarily defeated, according to the American Ambassador.

Despite Venizelos' assertion to the contrary, the Ambassador is convinced that Venizelos, the Palace, and Constantine Rendis, a leader in Plastiras' EPEK Party, were intent on having the law passed quickly; and a fait accompli was avoided only because Prime Minister Plastiras heard of the move and the American Embassy published its strong objections.

[REDACTED]

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TOP SECRET

TOP SECRET

Comment: The American Embassy in Athens has long felt that the proportional electoral system favored by Venizelos and many Greek politicians would bring back the welter of small parties which has effectively hindered recovery in Greece. Accordingly, the Ambassador has been urging the employment of the simple majority system, which would favor General Papagos in any future election.

TOP SECRET

